LEGACY BANK
Member FDIC

RECEIVED
JUN 30 2005
By 192

June 23, 2005

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Interagency Proposal on the Classification of Commercial Credit Exposures

Dear Mr Feldman and Ms. Johnson:

We are pleased to have the opportunity to comment on the interagency proposal regarding changes to the classification system for commercial credit exposures.

Legacy Bank and our Board of Directors request that the proposal be **withdrawn**.

Legacy Bank is a $425 million commercial bank with 12 locations. Our belief is that the proposal is not needed and is in fact a step backward from what we, and we believe the majority of other community banks, are already doing. Additionally, we reviewed the proposal with and listened to comments from CSBS personnel, other bankers and other regulators at the outreach sessions for bankers at our 2005 CSBS Annual Meeting and Conference held June 1-3, 2005, to obtain additional feedback. Reaction to the proposal by staff, regulators and executive level bankers was and has been overwhelmingly negative. Legacy Bank does not believe the proposed changes are necessary and sees little benefit in implementing the proposal

Although the federal agencies state that the current classification system considers the same borrower and facility factors included in the proposal, the costs associated in requiring all institutions to formally implement the system would add to regulatory burden and increase already strained compliance budgets at small and medium-sized banks. Institutions will likely face increased costs associated with revising policies and procedures, loan review, documentation, system implementation, staff training, internal controls and increased auditor costs. Obviously, state banking departments would face similar challenges to implement the proposal

Furthermore, as you are already aware, smaller community banks will bear the largest burden of these added implementation costs. These institutions, approximately 80% of which are state chartered, are already struggling to manage regulatory compliance issues with limited staff resources. The state banking departments appear concerned about the regulatory burden this proposal would add to the institutions under their supervision.

We see little benefit in implementing the two dimensional classification system especially considering the potential costs that will be incurred by small to medium-sized banks. The two dimensional ratings are no more clear or necessarily effective than those contained in the current rating framework. In fact, we believe they are a step backward The proposal indicates that the current system's ambiguity has lead to different interpretations between regulatory agencies as well as between the agencies and the banks they regulate. However, there is no real explanation of how or why the newly proposed framework would resolve those issues to any great extent. We are also concerned that the inclusion of the facility test will create a misleading impression in the marketplace that collateral or other aspects of a loan are a substitute for a borrower's creditworthiness.

We strongly urge the agencies to withdraw this proposal.

While it is well intentioned, the proposed classification system is complicated and burdensome for small and medium sized banks, while the current framework is working well and has provided and continues to provide accurate and sound analysis of commercial credit exposures. We can find no clear reason or necessity for the implementation of this proposal.

Thank you for your consideration.

Sincerely,

Carrie L. Sides

Carrie L. Sides
Senior Compliance Officer